

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 AGR-10 SP-02 AID-05 EB-07 NSC-05

CIEP-02 TRSE-00 SS-15 STR-04 OMB-01 CEA-01 CIAE-00

COME-00 FRB-01 INR-07 NSAE-00 LAB-04 SIL-01 PA-02

PRS-01 USIA-15 /096 W

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R 211637Z FEB 75

FM AMEMBASSY BONN

TO SECSTATE WASHDC 8173

UNCLAS SECTION 01 OF 02 BONN 02977

DEPARTMENT PASS AGRICULTURE

E.O. 11652: N/A

TAGS: EAGR, GW

SUBJECT: GERMAN REACTION TO FEBRUARY 13 EC DECISIONS

SUMMARY: IT IS WIDELY BELIEVED THAT FOR LIVESTOCK PRODUCTS AND SUGAR THE EC PRICE INCREASES CANNOT BE REALIZED FROM THE MARKET. THERE IS CONCERN ABOUT GROWING DISTORTION OF COMPETITION. NEVERTHELESS, THE ADMINISTRATION IS CONVINCED THAT IN THEIR VIEW NO BETTER RESULT COULD HAVE BEEN ACHIEVED. THE ADMINISTRATION IS PESSIMISTIC WITH RESPECT TO PROGRESS IN OVERALL REFORM OF THE EC AGRICULTURAL POLICY.

1. GERMAN AGRICULTURAL MINISTER ERTL CALLED THE RESULTS "NOT IDEAL, BUT A GENERALLY JUSTIFIABLE COMPROMISE." A SPOKESMAN OF THE MINISTRY COMMENTED THAT IN VIEW OF THE OVERALL SITUATION IT HAD HARDLY BEEN POSSIBLE TO ACHIEVE A BETTER RESULT. IN REGARD TO THE RELATIVE REDUCTION OF THE MONETARY COMPENSATION, IT WAS POINTED OUT THAT "A SOLUTION HAS BEEN FOUND. THIS SOLUTION PREVENTS THE PRICE INCREASE IN ABSOLUTE AMOUNTS IN REVALUATING COUNTRIES INCREASING MORE THAN IN DEVALUATING COUNTRIES.

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FURTHERMORE, SEVERAL DEVALUATING COUNTRIES WERE GRANTED

AN ADDITIONAL INCREASE. THIS SOLUTION IS TECHNICALLY IMPLEMENTED BY CORRESPONDING ADJUSTMENT OF THE EXCHANGE RATES OF THE NATIONAL CURRENCIES TO THE UNIT OF ACCOUNT. BECAUSE OF THE DIFFERENTIATED PRICE INCREASES THE CURRENT PERCENTAGE PRICE DIFFERENCE FOR THE MONETARY COMPENSATORY AMOUNT FOR THE FEDERAL REPUBLIC DIMINISHES FROM 12.03 TO 10.03 PERCENT. THE ABSOLUTE GERMAN MCA WILL HOWEVER, NOT SIGNIFICANTLY CHANGE. THE SYSTEM OF BORDER EQUALIZATION WILL BE MAINTAINED WITHOUT CHANGE." THE MINISTRY BELIEVES THAT THE RAISE OF THE SUPPORT LEVEL IN THE FRG BY 5.9 PERCENT WOULD RESULT IN AN AVERAGE INCREASE OF PRICES OF MARKET REGULATION AND NON-MARKET REGULATION PRODUCTS BY 3.8 PERCENT. THIS ASSUMES THAT THE INCREASE IN OFFICIAL SUPPORT LEVELS WILL ONLY PARTLY AFFECT THE MARKET PRICES (E.G., LIVESTOCK PRODUCTS). CONSIDERING ONLY THE COST OF RAW MATERIALS, FOOD PRICES ARE EXPECTED TO BE INCREASED BY 2.5 PERCENT DURING THE NEXT 12 MONTHS AND THE TOTAL COST OF LIVING WILL BE INCREASED BY 0.5 TO 0.6 PERCENT DUE TO THE COMMUNITY DECISION.

2. THE MINISTRY EMPHASIZES THAT THE DEMAND FOR AN OVERALL REVISION OF THE EC AGRICULTURAL POLICY AS EXPRESSED IN THE "FRG PAPER ON EC POLICY REFORM" SUBMITTED TO THE COMMISSION ON JANUARY 20, 1975 (GY 5009) "IS NOT OFF THE TABLE". THE MINISTRY IS PESSIMISTIC WITH RESPECT TO THE OUTCOME OF THE FORTHCOMING NEGOTIATIONS. "A GENERAL REFORM IS HARDLY POSSIBLE AS INDICATED BY PAST ATTEMPTS"

3. THE GERMAN FARMERS UNION (DBV) COMPLAINED THAT THE PRICE HIKE WAS "INSUFFICIENT". THEY ARGUED THAT IT WAS NOT ENOUGH TO OFFSET THE REAL REDUCTION OF INCOMES

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AS SHOWN BY THE GOVERNMENTS AGRICULTURAL REPORT." THEY ARE CONCERNED ABOUT NATIONAL MEASURES PARTICULARLY AFFECTING THE BEEF AND MILK SECTORS WHICH WILL HAVE A DETREMENTAL IMPACT ON COMMUNITY AGRICULTURAL POLICIES. IN CONTRAST TO ITS CONSISTANT ASSURANCES, THE GOVERNMENT HAD AGREED TO MEASURES EQUIVALENT TO A REDUCTION OF THE MONETARY COMPENSATION. THIS HAS BEEN DONE IN SPITE OF THE FACT THAT NO PROGRESS HAD BEEN MADE TOWARDS AN ECONOMIC AND MONETARY UNION. THEY CONTINUALLY ARGUE GIVEN THE EXISTING SITUATION THAT MORE EFFORTS SHOULD BE MADE BY THE GOVERNMENT TO REDUCE FARMERS' PRODUCTION COSTS. THE DBV HAS NOT PROPOSED ANY SPECIFIC MEASURES TO ACCOMPLISH THIS OBJECTIVE.

4. THE AGRICULTURAL CO-OPERATIVES VIEW THAT FOR PORK AND BEEF THE DECISIONS ARE ONLY ON PAPER; ALSO MILK PRICE INCREASES WOULD BE DIFFICULT TO REALIZE FROM THE MARKET. THE FURTHER ADJUSTMENT OF THE GRAIN PRICE RELATIONSHIPS TO THE FEEDING VALUE IS REGARDED AS POSITIVE. ON THE OTHER SIDE, THE CO-OPS FEAR THAT THE DIFFERENT PRICE CHANGES AND DIFFERENTIATED SUBSIDIES WILL RESULT IN FURTHER DISTORTION OF COMPETITION. THE UNCLASSIFIED

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SYSTEM HAD AGAIN BECOME LESS UNDERSTANDABLE.

5. THE POLITICAL PARTIES ISSUED MORE PRONOUNCED STATEMENTS THAN THE FARM ORGANIZATIONS. THE CDU/CSU OPPOSITION COMPLAINED ABOUT "STABILITY POLICY AT THE EXPENSE OF THE FARMERS"; DIFFERENT PRICE INCREASES BY COUNTRY; AND REDUCTION OF THE MCA. THE CHANCELLOR'S "DEMAND FOR REMOVAL OF DISTORTION OF COMPETITION MUST BE REGARDED AS LIP-SERVICE." A SPOKESMAN OF THE RULING SPD EXPRESSED CONCERN ESPECIALLY ABOUT THE DECISION ON SUBSIDIES. THUS, THE PROBLEMS WHICH LAST YEAR HAD PUSHED THE COMMON MARKET TOWARDS A SEVERE CRISIS HAD REMAINED UNSOLVED. THE SPD REALIZES HOWEVER, THAT "CONCESSIONS HAD TO BE MADE FOR OVERALL POLITICAL REASONS AND BECAUSE OF THE SPECIAL SITUATION OF GREAT

BRITAIN."
HILLENBRAND

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